ATMOS ENERGY CORPORATION

Demand-Side Management Cost Recovery Mechanism
DSM

1. Applicable

Applicable to Rate G-1 Sales Service, residential class only.

The Distribution Charge under Residential Rate G-1 Sales Service, shall be increased or decreased for three annual periods beginning January 2009 and continuing through December 31, 2011 by the DSM Cost Recovery Component (DSMRC) at a rate per Mcf in accordance with the following formula: (T)

DSMRC = DCRC + DLSA + DIA + DBA (T)

Where:

DCRC = DSM Cost Recovery-Current. The DCRC shall include all actual costs, direct and indirect, under this program which has been approved by the Commission. This includes all direct costs associated with the program including rebates paid under the program, the cost of educational supplies, and customer awareness related to conservation/efficiency. In addition, indirect costs shall include the costs of planning, developing, implementing, monitoring, and evaluating DSM programs. In addition, all costs incurred by or on behalf of the program, including but not limited to costs for consultants, employees and administrative expenses, will be recovered through the DCRC. (T)

DLSA = DSM Lost Sales Adjustment. To effectively promote and execute the program, the Company shall recover the annual lost sales attributable to customer conservation/efficiency created as a result of the Program. This aligns the Company's interest with that of its customers by reducing the correlation between volume and revenue for those customers who elect to participate in the program. The lost sales are the estimated conservation, per participant, times the base rate for the applicable customer. The goal is to make the Company whole for promoting the program. Lost sales are based on the cumulative lost sales since the program inception and will reset when the Company completes a general rate case. (N)

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DIA = DSM Incentive Adjustment. As a result of the program, the customers who participate in the program will save on their gas bills due to decreased usage, which results in decreased commodity charges. As an incentive for the Company to devote the necessary monetary and physical resources to promote and administer the program, the Company will earn a fifteen percent (15%) incentive based on the net resource savings of the Program participants. (N)

Net resource savings are defined as Program benefits less utility Program costs and participant costs where Program benefits will be calculated on the basis of the present value of Atmos' avoided commodity costs over the expected life of the Program. For the purpose of calculating the Program benefits, a ten year Program life is assumed with future gas costs over the ten-year period based on projection in the Department of Energy's *Annual Energy Outlook*. The present value is calculated based on Atmos' discount rate used for financial reporting purposes which is based on the rates of high-quality fixed-income investment.

DBA = DSM Balance Adjustment. The DBA shall be calculated on a calendar year basis and be used to reconcile the difference between the amount of revenues actually billed through the DSMRC and the revenues which should have been billed. (T)

The DBA for the upcoming twelve-month period shall be calculated as the sum of the balance adjustments for the DCRC, DLSA and DIA. For the DCRC, DLSA and DIA, the balance adjustment shall be the difference between the amount billed in a twelve-month period and the actual cost of the DSM Program during the same twelve-month period. (T)

(D)

The balance adjustment amounts calculated will include interest to be calculated at a rate equal to the average of "3-month Commercial Paper Rate" for the immediately preceding twelve-month period.

The Company will file modifications to the DSMRC on an annual basis at least two months prior to the beginning of the effective upcoming twelve-month period for billing. This annual filing shall include detailed calculations of the DCRC, DLSA, DIA and the DBA, as well as data on the total cost of the DSM Program over the twelve-month period. The calculations plus interest shall be divided by the expected Mcf sales for the upcoming twelve-month period to determine the DSMRC. (T)

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OF KENTUCKY
EFFECTIVE
9/2/2009
PURSUANT TO 807 KAR 5:011
SECTION 9 (1)
By [signature]
Executive Director

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(Issued by Authority of an Order by the Public Service in Case No. 2008-00499 dated S

ISSUED BY: Mark A. Martin- Vice President of Rates & Regulatory Affairs, Kentucky/Mid-States Division

FOR ENTIRE SERVICE AREA
P.S.C. NO. 1
Eighth Revised Sheet No. 41
Cancelling
Seventh Revised Sheet No. 41

ATMOS ENERGY CORPORATION

Demand-Side Management Cost Recovery Mechanism
DSM

DSM Cost Recovery Component (DSMRC):

DSM Cost Recovery – Current:	$0.0850 per Mcf	(I)
DSM Lost Sales Adjustment	$0.0020 per Mcf	(N)
DSM Incentive Adjustment	$0.0080 per Mcf	(N)
DSM Balance Adjustment:	($0.0700) per Mcf	(N)
DSMRC Residential Rate G-1	$0.0250 per Mcf	(I)

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